

Message Text

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63/42

ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 IGA-02

ABF-01 AGR-20 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 PA-04 PRS-01 USIA-15 DRC-01 FEA-02 /186 W

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P R 251137Z JUL 74

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC PRIORITY 124

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY CANBERRA

AMEMBASSY TOKYO

AMEMBASSY BANGKOK

AMEMBASSY PHNOM PENH

AMEMBASSY SAIGON

CINCPAC

C O N F I D E N T I A L VIENTIANE 5835

C O R R E C T E D C O P Y (FOR MRN VICE 5838)

E.O. 11652: GDS

TAGS: ECON, LA

SUBJECT: LAO ECONOMIC REFORMS/ECONOMIC SITUATION REPORT

1. THE XAT LAO AND BANGKOK POST TODAY, QUOTING MIN FIN NGON SANANIKONE, STATED THAT THE KIP WOULD NOT BE DEVALUED. NGON QUOTED AS STATING THERE WAS SUFFICIENT FOREIGN EXCHANGE TO BUY SWINE, CATTLE, BUFFALO AND RICE FROM THAILAND, THAT THE CRISIS WAS CREATED BY AN INACCURATE STORY IN THE BANGKOK POST, AND THAT THERE WOULD BE A RETURN TO NORMAL EXCHANGE CONDITIONS NEXT WEEK. INDICATIONS OF PROBABLE PGNU ACTIONS WERE NOT PROVIDED IN ARTICLES.

2. THIS NEWS SEEMS TO RELIEVE SOME OF TENSION IN
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VIENTIANE, BUT SHOPPING AND BUSINESS ACTIVITY REMAINED

AS RESTRICTIVE AS JULY 24. NO CURB MARKET TRANSACTIONS REPORTED BY ESTABLISHED MONEY CHANGERS BECAUSE, ACCORDING ACTING MANAGER BANK OF INDOCHINA, BUSINESS COMMUNITY NOW AWAITING PGNU DECISIONS.

3. OIL COMPANIES ALSO HAVE BECOME CONCERNED WHICH WAY PGNU IS GOING TO MOVE. CALTEX AND LAO PETROLEUM (FORMERLY ESSO) FURNISHING ABOUT 30 PERCENT OF MARKET HAVE CEASED DELIVERY TO THEIR RETAIL OUTLETS. SHELL WILL FOLLOW SUIT MONDAY UNLESS SITUATION IS CLARIFIED. RETAIL OUTLETS WORKING SO FAR NORMALLY WITHOUT WAITING LINE, HOWEVER, THIS MIGHT WELL CHANGE RAPIDLY IF PGNU CONTINUES TO PREVARICATE.

4. GOODS TRANSITING THAILAND CONTINUE TO ARRIVE AT MAJOR CUSTOMS POINT AND ARE BEING PICKED-UP BY IMPORTERS. SHIPMENTS OF THAI-SUPPLIED OR MANUFACTURED COMMODITIES HAVE PRACTICALLY STOPPED.

5. MAJOR RICE MILL STATES THAT RICE IMPORTS FROM THAILAND HAVE STOPPED. CURRENT STOCKS OF ABOUT 1000 M/T COULD PROVISION VIENTIANE FOR ABOUT 10 DAYS, CALCULATING DAILY REQUIREMENTS AT ABOUT 90 M/T. IN ADDITION, AGRICULTURAL DEVELOPMENT ORGANIZATION, A LAO GOVERNMENTAL ORGANIZATION, HAS ROUGH RICE WHICH COULD PROVIDE ABOUT 10 DAYS SUPPLY UPON BEING MILLED. RICE APPEARS MORE AVAILABLE JULY 25, BUT INABILITY TO EXCHANGE KIP FOR BAHT CONTINUES TO LIMIT SALES AND TO KEEP PRICES HIGH.

6. USAID COST OF LIVING INDEX JULY 25 REFLECTED PRICE INCREASES AS FOLLOWS (JULY 17 IS DATE OF LAST PRICE SURVEY TAKEN PRIOR TO ONSET OF EXTENSIVE DEVALUATION RUMORS AND CLOSURE OF BANKS):

	PERCENT INCREASE SINCE		
	JULY 25	JULY 17	END-1973
GENERAL INDEX	0.6	14.3	52.9
RICE INDEX	-0-	38.4	91.7
NON RICE INDEX	0.8	8.0	43.2

7. THERE WAS NO PORK OR BUFFALO AVAILABLE IN THE
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MORNING MARKET AND BEEF WAS SOLD OUT EARLY. NO OTHER SHORTAGES WERE OBSERVED. OVERALL MARKET ACTIVITY WAS NORMAL AND NO PANIC BUYING IN EVIDENCE.

8. PGNU NOW MEETING WITH REAL PROSPECT IMF RECOMMENDED MEASURES WILL BE DISCARDED FOR HIGHLY RESTRICTIVE IMPORT CONTROLS. BANKS REMAIN CLOSED JULY 26 PROBABLY TO BE OPENED JULY 29 FOR KIP AND

LICENSED IMPORT TRANSACTIONS ONLY.

9. WITH BRITISH AND AUSTRALIANS JULY 25 INFORMING PGNU
THEIR SUPPORT IMF MEASURES AND NO ADDITIONAL FUNDS
FORTHCOMING DONOR COUNTRIES NOW UNANIMOUS IN THEIR
RECOMMENDATIONS.

10. ONCE PGNU DECISIONS KNOWN WE SHALL REPORT OUR
ASSESSMENT.
WHITEHOUSE

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